Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Richard Pan, M.D., Chair
Senator Melissa Hurtado
Senator Jeff Stone

Thursday, March 14, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 4203

Consultant: Renita Polk

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VARIOUS DEPARTMENTS

Issue 1: Informational Panel – Considerations in Developing a Master Plan on Aging

Panelists:

- **Jacqueline Barocio, Fiscal and Policy Analyst, Legislative Analyst's Office (LAO)**
- **Dr. Kathleen Wilber, Professor of Gerontology, University of Southern California**
- **Ella Jones, Senior Advocate**
- **Clay Kempf, Executive Director, Seniors Council of Santa Cruz and San Benito Counties**
- **Marko Mijic, Acting Deputy Secretary for Program and Fiscal Affairs, California Health and Human Services Agency**

Demographic projections by the Department of Finance and others estimate that the proportion of California residents over age 65 will grow substantially over the coming decades. This "silver tsunami" is likely to have significant impacts on the delivery systems that provide care to seniors, particularly those with disabilities or in need of assistance with activities of daily living (ADLs). The state's programs that provide long-term services and supports such as Medi-Cal, In-Home Supportive Services (IHSS) and various Medicaid waiver programs, as well as the vast population of unpaid family caregivers, will bear the financial and operational impacts of increased need and utilization of services represented by this population.

Long-Term Services and Supports. Long-term services and supports (LTSS) refers to services and care provided to individuals who have difficulty performing daily activities, generally due to age, physical, cognitive, developmental, or chronic health conditions, or other functional limitations. LTSS can be provided in the home by family caregivers or paid in-home health workers, in other community-based settings such as assisted living homes, or in institutional settings such as skilled nursing facilities. LTSS may include assistance with ADL, which are routine, daily personal care activities such as eating, bathing, mobility, toileting, and dressing. LTSS may also include instrumental activities of daily living, which are more complex skills necessary for living independently, such as medication management, cooking, money management, transportation, and housework.

Aging Population in California. According to demographic projections by the Legislative Analyst's Office (LAO), the population of California seniors, defined as adults aged 65 and older, will increase from roughly 5.3 million in 2017 to 13.4 million in 2060. The LAO report, titled "A Long-Term Outlook: Disability Among California's Seniors," projects that for California, the growth in the senior population will be primarily driven by the aging Baby Boomer cohort and the largest growth will be for seniors over 85 years old.

LTSS is provided to those in need through several sources, including the state and federal government, private insurers, and individuals. In California, Medi-Cal and Medicare are two of the primary public sector payers for LTSS; generally, the federal government pays for one-half of most Medi-Cal costs.

Medi-Cal generally pays for a broader array of LTSS than Medicare, which covers some LTSS services on a short-term basis. Medi-Cal covers hospital inpatient, outpatient, and institutional long-term care services. Optional services include Home and Community-Based Services (HCBS). However, the SCAN foundation points out that nearly two-thirds of older adults with LTSS needs living at home receive all help from unpaid caregivers, typically family and friends.

LTSS costs often exceed what individuals and families can afford given other personal and household expenses. According to the SCAN Foundation, 53 percent of LTSS costs are covered out-of-pocket, 42 percent are covered by Medicaid, and the other five percent are covered through private long-term care insurance. Institutional settings, such as assisted living facilities or residential care facilities for the elderly, are the most costly. In 2017, the annual private pay cost for a nursing facility was $97,367.1 Generally, HCBS are less expensive than institution-based LTSS, but may still represent a major financial burden for individuals and their families. In 2015, the median costs for one year of home health aide services (at a $13.06 median hourly wage) was $39,000 and adult day services totaled $20,020.

The primary California programs that provide LTSS services to seniors, which are most likely to be impacted by the expected aging of the state's population, are administered by three state departments: the Department of Social Services (DSS), the California Department of Aging (CDA), and the Department of Health Care Services.

In November 2018, the Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services held an informational hearing on the status of LTSS for California seniors. During that hearing the subcommittee discussed data gaps in needs and utilization of services, existing LTSS programs, and future planning. There is a need for additional data on whether the current LTSS system is meeting the needs of seniors, how many seniors will need services in the future, and how future utilization will impact state-funded programs. In the committee's 2019 annual overview of the Governor's budget, published on the committee website, the status of the state's LTSS and challenges associated with the system were also discussed. Some of these challenges included changing demographics, gaps in data to identify service needs, gaps in utilization data, coordination within the system, and caregiver support.

Since that hearing and the publication of the annual overview, both the Legislature and the Governor have expressed commitments to addressing the issues and challenges affecting California's senior community. Part of that commitment includes the development of a state plan on aging. In his State of the State Address, Governor Newsom called for a Master Plan for Aging. In addition, the Legislature has introduced more than two dozen bills addressing issues that seniors face.

Today's panel will further the discussion on what a state plan will look like and what it should include.

Staff Comment and Recommendation. This is an informational item and no action is required.

1 AARP Public Policy Institute. "Across the States 2018: Profile of Long-Term Services and Supports in California" August 27, 2018. https://www.aarp.org/content/dam/aarp/ppi/2018/08/california-LTSS-profile.pdf

4170 DEPARTMENT OF AGING (CDA)

Background: The Department of Aging's mission is to promote the independence and well-being of older adults, adults with disabilities, and families through:

- Access to information and services to improve the quality of their lives,
- Opportunities for community involvement,
- Support to family members providing care, and
- Collaboration with other state and local agencies.

Issue 1: Overview

Budget Summary. With a proposed 2019-20 budget of $206.3 million ($36.7 million General Fund), the CDA administers community-based programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the state. As the federally designated State Unit on Aging, the department administers federal Older Americans Act (OAA) programs and the Health Insurance Counseling and Advocacy Program.

California Department of Aging
Funding Authority by Fund Source
* Dollars in thousands

Grand Total By Fund	Fiscal Year	
	2018-19	2019-20
General Fund	$37,107	36,749
State HICAP Fund	$2,501	$2,501
Federal Fund	$187,286	$150,835
State Health Facility Citations Penalty Account	$1,207	1,208
State Department of Public Health Licensing and Certification Program Fund	$400	$400
Skilled Nursing Facility Quality & Accountability Fund	$1,900	$1,900
Reimbursements	$12,242	$12,661
Total All Funds	$242,643	$206,254

Overview of Programs.

Medi-Cal Programs. The department administers two Medi-Cal programs: it contracts directly with agencies that operate the Multipurpose Senior Services Program (MSSP) and provides oversight for the MSSP waiver, and certifies Community-Based Adult Services (discussed further in next item) centers for participation in Medicaid. The department administers most of these programs through contracts with the state's 33 local Area Agencies on Aging (AAA). At the local level, AAAs contract for and coordinate this array of community-based services to older adults, adults with disabilities, family caregivers, and residents of long-term care facilities.

MSSP provides social and health case management services for frail, elderly clients who wish to remain in their own homes and communities. Clients must be aged 65 or older, eligible for Medi-Cal, and certified (or certifiable) as eligible to enter into a nursing home. Teams of health and social service professionals assess each client to determine needed services, and work with the clients, their physicians, families, and others to develop an individualized care plan. CDA implements MSSP under the supervision of the Department of Health Care Services (DHCS) through an interagency agreement. The current year 2018-19 MSSP budget is approximately $23.2 million and the proposed 2019-20 MSSP budget remains unchanged.

Under California's Coordinated Care Initiative (CCI), most Medi-Cal beneficiaries in CCI counties were to be enrolled in a participating Medi-Cal managed care health plan to receive their Medi-Cal benefits, including MSSP. MSSP sites in a CCI county entered into contracts with the participating managed care health plans to deliver MSSP waiver services to eligible plan members and were reimbursed by the health plans. In six of the seven CCI counties (Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Santa Clara), MSSP continued to be a 1915(c) Home- and Community-Based Services waiver benefit until it transitioned to being a fully integrated managed care health plan benefit that is administered and authorized by the plan. MSSP will continue to operate as a waiver program in CCI counties until no sooner than January 2020. In addition, all current MSSP Waiver policies and program standards remain in effect during the transition period. MSSP sites that provide waiver services in a CCI county have agreements with managed care plans to deliver MSSP services to eligible plan members. After December 2019, services formerly available under the MSSP waiver will transition from a federal 1915(c) waiver to a fully integrated Medi-Cal managed care LTSS benefit in the CCI counties. MSSP sites serving non-CCI counties deliver MSSP services as a Medi-Cal fee-for-service benefit.

Senior Nutrition. This is the largest OAA program in terms of funding and the most well-known. It consists of the Congregate Nutrition Program and the Home Delivered Meal Program. The Congregate Nutrition program targets individuals age 60 or older with the greatest economic or social need. In 2016-17, approximately 28,694 meals a day were served at these sites; 7.2 million a year -- and approximately 27 percent of the participants were at high nutritional risk. The Home Delivered Meal Program serves older adults who are not able to attend congregate programs. In addition, programs provide nutrition education at least four times per year and nutrition counseling is available in some areas. In 2016-17, approximately 44,000 meals were delivered each day; 11 million annually. The 2019-20 budget provides total funds of $44.9 million ($3.8 million General Fund) for Congregate

Nutrition Program, and $38.9 million ($4.7 million General Fund) for the Home Delivered Meal Program.

Supportive Services. The Supportive Services Program assists older individuals to help them live as independently as possible and access services available to them. Services include information and assistance, transportation services, senior centers, in-home and case management and legal services for frail older persons.

Senior Legal Services. The Senior Legal Services Program assesses legal service needs and assists older adults with disabilities in their community with a variety of legal problems. This is a priority service under Title IIIB and each AAA must include it as one of their funded programs. There are 39 legal services projects in California.

Family Caregiver Support. The Family Caregiver Support Program provides support to unpaid family caregivers of older adults and grandparents (or other older relatives) with primary caregiving responsibilities for a child or individual with a disability. Each AAA is responsible for determining the array of services provided to unpaid family caregivers. Those services can include respite care, support services (such as support groups and training), supplemental services (such as assistive devices and home adaptations), access assistance, and information services.

Long-Term Care Ombudsman (LTCO). The LTCO identifies, investigates, and resolves community complaints made by, or on behalf of, individual residents in long-term care facilities. These facilities include nursing homes, residential care facilities for the elderly, and assisted living facilities. The LTCO Program is a community-supported program, of which volunteers are an integral part. Approximately, 180 staff and 730 volunteers advocate on behalf of residents of long-term care facilities. These include 1,244 skilled nursing and intermediate care facilities and 7,406 residential care facilities for the elderly. The office also maintains a 24-hour, seven days a week crisis line to receive complaints by, and on behalf of, long-term care residents.

Elder Abuse Prevention. The Elder Abuse Prevention Program develops, strengthens, and implements programs for the prevention, detection, assessment, and treatment of elder abuse. Most programs educate the public about how to prevent, recognize, and respond to elder abuse

Health Insurance Counseling and Advocacy (HICAP). The HICAP Program provides personalized counseling, outreach and community education to Medicare beneficiaries about their health and long-term care (LTC) coverage options. In 2016-17, the program counseled approximately 79,000 clients, provided telephone help to 44,000 individuals and close to 3,700 interactive consumer presentations. This program utilizes 799 active counselors (volunteers and paid) who provide this assistance under the direction of the paid program staff.

Senior Community Service Employment Program (SCSEP). The SCSEP Program provides part-time, subsidized work-based training and employment in community service agencies for low-income

persons, 55 years of age and older, who have limited employment prospects.

Aging and Disability Resource Connection (ADRC). The ADRC program's purpose is to improve consumers' experience by having a trusted point-of-contact that can provide reliable information and facilitate access to services for people of all ages, incomes, and disabilities. CDA collaborates with the DHCS to provide these services. However, the interagency agreement between the two is set to expire on June 30, 2019. The core partnership of an ADRC is between the regional Area Agency on Aging (AAA) and Independent Living Center (ILC). Neither CDA nor DHCS provide local assistance funding to ADRC. Since the federal ADRC demonstration grant funding ended in 2009, regional ADRCs have had to rely on either federal and state Older Americans Act and Older Californians Act funding, or the existing ILC funding.

Funding. Between July 2007 and June 2012, the CDA budget was reduced by approximately $30.1 million in General Fund. This includes the elimination of state funding for Community-Based Services, Supportive Services, Ombudsman and Elder Abuse Prevention, Senior Community Employment, and a reduction in MSSP funding. Below is a historical recap of budget changes:

- Senior Community Employment. All General Fund for the Senior Community Employment Program (SCSEP) was eliminated in FY 2008-09. Since that time, the program has been funded solely by the federal government. In FY 2011-12, SCSEP suffered a 25 percent cut in its Department of Labor baseline funding, a loss of approximately $2.6 million. Estimated total expenditures for the program in 2017-18 is $7.9 million.

- Sequestration - Federal Fiscal Year (FFY) 2013 and ongoing. CDA lost approximately $9.8 million in federal funding in FFY 2013 for its senior programs due to the federal sequestration. The nutrition sequestration reduction was partially offset in FY 2013-14 and FY 2014-15 with $2.7 million received from the Assembly Speaker's Office. In 2014, nutrition federal funding was restored to the 2012 funding levels. Sequestration cuts continued for Supportive Services, Preventive Health, Family Caregiver, Ombudsman, and Elder Abuse Prevention in the FFYs 2014 and 2015.

- Ombudsman Funding Changes. All General Fund local assistance funding for the Ombudsman program was eliminated during FY 2008-09. Between FY 2009-10 and FY 2011-12, several one-time appropriations and funding solutions were utilized to partially backfill lost General Fund and federal Citation Penalties Account monies. In 2012-13 and 2013-14, the implementation of federal sequestration reduced federal Ombudsman funding by about $0.2 million. The 2016-17 budget included a one-time $1 million augmentation to the Long-Term Care Ombudsman Program using funds from the State Health Facilities Citation Account. The 2018-19 budget increased the base allocation for the 35 local LTCO offices to $100,000 annually. Local Assistance funding for the Ombudsman in the current year is approximately $9.6 million and for the Budget Year is $9.5 million. This includes federal and State funds from the Skilled Nursing Facility Quality Assurance Fund and the State Citation Penalties Account funds.

- In federal fiscal year 2018, CDA received an increase of $17 million in Supportive Services (Title III-B services) funding from the federal Administration on Community Living. These funds can be used for supportive services, congregate nutrition, home-delivered meals, health promotion, caregiver support, the LTCO, and the Nutrition Services Incentive Program.

Staff Comment and Recommendation. This is an informational item, and no action is required.

Questions.

1. Please describe recent major successes and challenges the department has experienced during program implementation.

2. Please provide a brief overview of MSSP and its transition into managed care.

Issue 2: BCP – Community Based Adult Services Additional Staffing for Mandate Compliance

Governor's Proposal. The Administration requests $751,000 ($427,000 federal funds and $324,000 General Fund) and four positions to ensure that Community Based Adult Services (CBAS) provider recertification is occurring within the statutorily required timeframe and those providers are complying with new federal rules.

Background. The CBAS program is one of two Medi-Cal programs administered by the CDA. It is a community-based day health program that provides services to older persons and other adults with chronic medical, cognitive, or behavioral health conditions and/or disabilities and are at risk of needing institutional care. The purpose is to delay or prevent institutionalization and maintain individuals in their homes for as long as possible. The CBAS program provides skilled nursing care, social services, therapies, personal care, meals, and transportation at outpatient facilities that are licensed as CBAS centers.

The program is administered under an interagency agreement among the Department of Health Care Services (DHCS), the California Department of Public Health (CDPH), and the CDA. By statute, CDA is responsible for initial certification of new CBAS centers as Medi-Cal providers and must monitor and recertify each CBAS provider at least once every two years. The recertification process consists of analyzing and processing CBAS provider renewal paperwork and fingerprinting, onsite monitoring and interviews, follow-up surveys, written reports, and additional related activities.

At current staff levels, the thoroughness of the certification renewals has been a challenge and the department has employed five retired annuitants to address the workload. In the past five years, the days between the onsite provider survey and issuance of a report has increased from 49 to 121, and the percentage of quarterly monitoring calls completed has decreased from 70 percent to 25 percent. The budget proposal includes a request for three Associate Governmental Program Analyst (AGPA) positions and one Nurse Evaluator position to help address the workload.

New federal requirements, including the California Medi-Cal 2020 waiver, the Affordable Care Act, and Home and Community Based (HCB) Settings regulations, have contributed to this increased workload and subsequent delays. Now that CBAS is a Medi-Cal managed care benefit, additional standards and processes must be met. The Affordable Care Act also established new requirements that requires ongoing provider review. New HCB regulations that the program must meet by March 2022 will also place an additional workload on the department.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview of the proposal.

Issue 3: Proposals for Investment

The subcommittee has received the following aging-related proposals for investment.

1. Local Long-Term Care Ombudsman Augmentation

Budget Issue. The California Long-Term Care Ombudsman Association requests $5.2 million General Fund to augment the 35 local LTCO offices. The increase in funds would allow local programs to conduct additional unannounced facility visits ($3.7 million) and investigate an additional 8,000 complaints ($1.5 million).

Staff Comment and Recommendation. The 2018-19 budget included an increase in base allocation for local LTCO offices of $100,000 annually. Hold open.

2. Supplemental Rate Adjustment MSSP Sites

Budget Issue. The MSSP Site Association (MSA) requests a one-time $25 million General Fund augmentation over three years to provide supplemental increases for MSSP sites. MSA points out that MediCal funding for MSSP has been flat and was reduced during recession years, while the cost of professional staff and operations has continued to increase. MSSP sites spend up to 30 percent of their overall program allocation purchasing critical services and equipment needed by clients when other public or private resources are not available.

Staff Comment and Recommendation. Hold open.

3. Increased Funding for Senior Nutrition Programs

Budget Issue. The California Association of Area Agencies on Aging and Meals on Wheels California request an ongoing $17.5 million to increase funding for senior nutrition programs. The organizations note that the increase is crucial in light of the fact that funding for these programs has been flat and has not seen an increase in a decade. The requested amount would provide for an extra 1.2 million meals per year, and serve an additional 12,000 Californians.

Staff Comment and Recommendation. Total funding for Senior Nutrition programs dropped from $108.7 million ($9.1 million General Fund) in 2018-19 to $83.8 million ($8.5 million General Fund) in the proposed 2019-20 Governor's budget. Hold open.

4185 CALIFORNIA SENIOR LEGISLATURE

Issue 1: Overview

Background. SCR 44 (Mello), Chapter 87, Statutes of 1982, established the California Senior Legislature (CSL). The CSL is a nonpartisan, volunteer organization comprised of 40 senior senators and 80 senior assembly members, who are elected by their peers in elections supervised by the Advisory Councils in 33 Planning and Services Areas (PSAs). The CSL's mission is to gather ideas for state and federal legislation and to present these proposals to members of the Legislature and/or Congress. Each October, the CSL convenes a model legislative session in Sacramento, hearing up to 120 legislative proposals.

For the 2019-20 Legislative session, CSL is sponsoring nine bills. In 2018, CSL sponsored six bills but none were signed into law. In 2017, CSL sponsored six bills, four of which were signed into law.

Funding. Since 1983, the CSL has been funded through voluntary contributions received with state income tax returns, appearing as the California Fund for Senior Citizens. State law allows taxpayers to contribute money to voluntary contribution funds (VCFs) by checking a box on their state income tax returns. With a few exceptions, VCFs remain on the tax form until they are repealed by a sunset date or fail to generate a minimum contribution amount. For most VCFs, the minimum contribution amount is $250,000. In 2013, the CSL did not meet the minimum contribution amount, and it fell off the tax check-off for the 2014 tax return.

The CSL managed to maintain their funding status through VCF by establishing the new California Senior Legislature Fund through SB 997 (Morrell), Chapter 248, Statutes of 2014, and repealing the California Fund for Senior Citizens. However, in 2015, the new VCF revenue was only $60,000, and the California Senior Legislature Fund was removed from the tax check-off list once again. The Legislature included a one-time $500,000 General Fund appropriation in the Budget Act of 2016 to keep the CSL operative. CSL spent $235,000 of this in the 2016-17 budget year, and the remaining $265,000 were reappropriated and carried into 2017-18.

AB 519 (Levine), Chapter 443, Statutes of 2017, established the California Senior Citizen Advocacy Voluntary Contribution Fund. The bill also required the CSL to spend ten percent of the fund balance to market and promote the fund, and removed the inflation factor on the $250,000 minimum contribution.

The 2019-20 Governor's budget includes $315,000 (California Senior Citizen Advocacy Voluntary Tax Contribution Fund) for the CSL. CSL has estimated their expenditures for 2019-20 to be $425,000. The voluntary contribution fund received $91,625 in donations in 2018.

Three-Year Financing Plan. The Budget Act of 2017 called for the CSL to work with the Department of Finance on a longer-term financing plan. This plan was released at the beginning of March 2018. The financing plan is meant to discuss ways to reduce the Department of General Services' (DGS) state

contracting costs, identify ways in which organizational and program activities can be streamlined, and develop additional funding sources. The report identified that fixed costs of Consolidated and Professional Services (C&PS) (accounting, administration, legal, etc.) Pro Rata fees, and salary and benefits make up a large and increasing portion of the CSL's budget. If current trends continue, CP&S is projected to double within the next five years, and when these are combined with salary and benefits, will consume the CSL budget in out years.

Staff Comment and Recommendation. This is an informational item, and no action is required.

Questions.

1. Please provide a brief overview of the three-year financing plan.

Issue 2: Proposals for Investment

1. Increased Funding to Maintain CSL Operations

Budget Issue. The California State Legislature is requesting an ongoing appropriation of $425,000 to be able to remain operative. The requested funding would cover salary staff and benefits, and other administrative costs. Donations would cover costs for the annual model legislative session held by CSL.

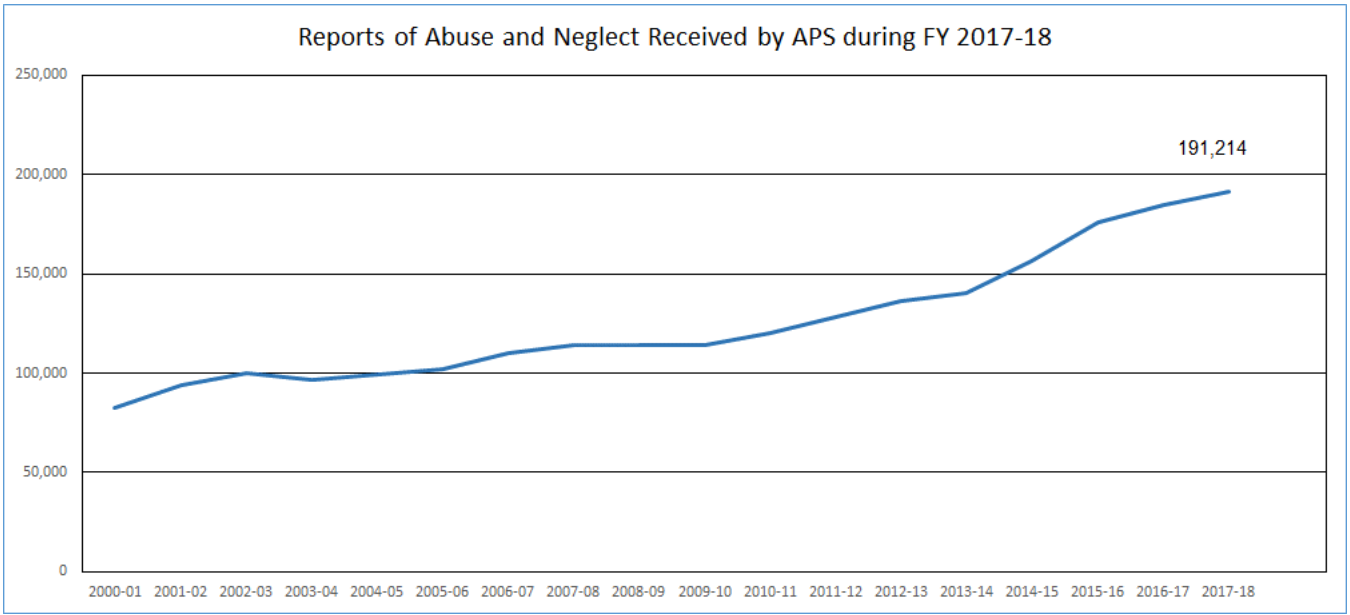
Staff Comment and Recommendation. Hold open.

5180 DEPARTMENT OF SOCIAL SERVICES – ADULT PROTECTIVE SERVICES

Issue 1: Overview – Adult Protective Services

Background. Each of California's 58 counties has an Adult Protective Services (APS) agency to aid adults aged 65 years and older and dependent adults who are unable to meet their needs, or are victims of abuse, neglect, or exploitation. The APS program provides 24/7 emergency response to reports of abuse and neglect of elders and dependent adults who live in private homes, apartments, hotels or hospitals, and health clinics when the alleged abuser is not a staff member. APS social workers evaluate abuse cases and arrange for services such as advocacy, counseling, money management, out-of-home placement, or conservatorship. APS social workers conduct in-person investigations on complex cases, often coordinating with local law enforcement, and assist elder adults and their families navigate systems such as conservatorships and local aging programs for in-home services. These efforts often enable elder adults and dependent adults to remain safely in their homes and communities, avoiding costly institutional placements, like nursing homes.

APS reports have risen significantly since 2000-01. The graph below shows the upward trend of reports of abuse and neglected received by APS.



Between 2014 and 2018, APS received 710,898 reports. During that same time, 623,127 cases were opened and 551,461 cases were resolved.

Realignment. In 2011, Governor Brown and the Legislature realigned several programs, including child welfare and adult protective services, and shifted program and fiscal responsibility for non-federal costs

to California's 58 counties.[2] The Department of Social Services, (DSS) retains program oversight and regulatory and policymaking responsibilities for the program, including statewide training of APS workers to ensure consistency. DSS also serves as the agency for the purpose of federal funding and administration.

Training. The 2014 Budget Act included $150,000 in funding for one staff position within the department to assist with APS coordination and training. In 2015, trailer bill language was adopted that codified the responsibilities of this staff person. In addition, $176,000 ($88,000 General Fund) was allocated to DSS for APS training. The 2016 Budget Act included one-time funding of $3 million General Fund for APS training for social workers. This investment was matched with Medi-Cal funds. The funding has been used to:

- Add new contracts with the three Regional Training Academies (RTAs) (San Diego State University, UC Davis, and Cal State Fresno) to provide two "APS Core Competency Academies," provide tracking and documentation for national APS certification, coaching tools for core competency courses, and two advanced trainings and two supervisor trainings.

- Add new $200,000 contract with the Public Administrators (PA), Public Guardians (PG) and Public Conservators (PC) Association to support their need to train their employees.

- Provide $560,000 to each of the five training regions (Los Angeles, Southern, Central, Bay Area, and Northern).

APS Expenditures by Fiscal Year

Fiscal Year	Expenditures
2011-12	$119.7 million
2012-13	$120.7 million
2013-14	$126.3 million
2014-15	$137.6 million
2015-16	$147.6 million
2016-17	$159.7 million
2017-18*	$169.9 million

*Expenditures for 2017-18 are as of January 2019 and are not final.

Home Safe Program. The Home Safe Program was established by AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018. The program serves APS clients that are homeless or at risk of

[2] AB 118, (Committee on Budget), Chapter 40, Statutes of 2011, and AB 16 X 1 (Committee on Budget), Chapter 13, Statutes of 2011, First Extraordinary Session, realigns funding for Adoption Services, Foster Care, Child Welfare Services, and Adult Protective Services, and programs from the state to local governments and redirects specified tax revenues to fund this effort.

homelessness due to elder or dependent adult abuse, neglect, or financial exploitation. Local APS agencies provide homelessness prevention and short-term housing interventions to support safety and housing stability. The Budget Act of 2018 provided $15 million General Fund (one-time) to fund the program over a three-year period, ending on June 30, 2021. The program is funded with a dollar-for-dollar match requirement, and a portion of funds are reserved for program evaluation purposes.

DSS released a Request for Proposals to local agencies in October 2018. The department received proposals from 36 counties, requesting a total of $29.5 million in total. The proposals were evaluated based on local need, the ability to use evidence-based practices, the ability to quickly implement with strong partnerships, and the ability to provide quality data to facilitate program evaluation. In December 2018, DSS allocated funds to the following 24 counties: Alameda, Contra Costa, Fresno, Humboldt, Kern, Kings, Los Angeles, Mariposa, Mendocino, Merced, Nevada, Placer, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, Santa Clara, Santa Cruz, Shasta, Sonoma, Tehama, Ventura, and Yuba. DSS is also initiating data collection and collaborating with Dr. Margot Kushel at the University of California – San Francisco to provide an external evaluation of the program.

Federal Grants. APS received a federal Administration for Community Living (ACL) grant of $198,665 to study and develop an improved comprehensive data collection system in line with the National Adult Maltreatment Reporting System (NAMRS). With that funding, DSS developed a report on the costs, pros, and cons of a variety of mechanisms to provide de-identified case level data to the federal government. Additionally, state aggregate data was improved by revising the data collection system to include aggregate data on clients, perpetrators, and services provided.

APS received another federal ACT grant of $373,259 per year from federal fiscal year 2018-19 through 2020-21 to increase the capacity of APS managers to drive program improvements. These improvements would be made by providing training to APS managers by national experts, and a pilot of the first ever APS Master of Social Work stipend program with a two year employment payback requirement.

Staff Comment and Recommendation. This is an informational item and no action is required.

Questions.

1. Please provide a brief update on the APS program and its funding.

2. Please provide an update on the implementation of the Home Safe Program.

Issue 2: Proposals for Investment

1. Increased Funding for APS Social Worker Training

Budget Issue. The California Welfare Directors Association (CWDA), the California State Association of Public Administrators/Guardians/Conservators, the California Commission on Aging, and the California Elder Justice Coalition request $5.75 million General Fund over three years to provide additional resources for APS social worker training.

Staff Comment and Recommendation. The $3 million in funding for APS training provided in 2016 will expire at the end of this fiscal year. **Hold open**.

5180 DEPARTMENT OF SOCIAL SERVICES – SSI/SSP

Issue 3: Overview – SSI/SSP

The Supplemental Security Income/State Supplemental Payment (SSI/SSP) programs provide cash assistance to around 1.3 million Californians, who are aged 65 or older (29 percent), are blind (one percent), or have disabilities (70 percent), and in each case meet federal income and resource limits. A qualified SSI recipient is automatically qualified for SSP. SSI grants are 100 percent federally funded. The state pays SSP, which augments the federal benefit.

Budget Issue. The budget proposes $9.9 billion ($2.8 billion General Fund) for SSI/SSP. The revised 2018-19 budget provides $9.8 billion ($2.8 billion General Fund) for the programs. The decrease is due to a lower than previously projected caseload. The state pays administration costs to the Social Security Administration (SSA) to distribute SSP, around $186.7 million for the budget year. Costs for SSI/SSP include the Cash Assistance Program for Immigrants and the California Veterans Case Benefit Program.

Cash Assistance Program for Immigrants (CAPI). In 1998, the Cash Assistance Program for Immigrants (CAPI) was established as a state-only program to serve some legal non-citizens who were aged, blind, or had disabilities. After 1996 federal law changes, most entering immigrants were ineligible for SSI, although those with refugee status are allowed seven years of SSI. The CAPI recipients in the base program include 1) immigrants who entered the United States prior to August 22, 1996, and are not eligible for SSI/SSP benefits solely due to their immigration status; and 2) those who entered the U.S. on or after August 22, 1996, but meet special sponsor restrictions (have a sponsor who is disabled, deceased, or abusive). The extended CAPI caseload, which is separate from the base CAPI caseload, includes immigrants who entered the U.S. on or after August 22, 1996, who do not have a sponsor or have a sponsor who does not meet the sponsor restrictions of the base program. In 2019-20, the estimated monthly average caseload is 1,036 cases for CAPI and 14,158 for extended CAPI. Effective June 1, 2019, CAPI recipients will receive a $10 grant increase for individuals and a $20 grant increase for couples to create parity with SSI/SSP program benefits.

California Veterans Cash Benefit Program (CVCB) Program. The California Veterans Cash Benefit Program (CVCB) program is linked to the federal Special Veterans Benefit (SVB) Program, which was signed into law in 1999 and provides benefits for certain World War II veterans. The SVB application also serves as the CVCB application, and payments for both programs are combined and issued by the SSA. CVCB program benefits are specifically for certain Filipino veterans of World War II who were eligible for CA SSP in 1999, who are eligible for the SVB program, and who have returned to live in the Republic of the Philippines. For 2019-20, the department estimates that the average caseload is around 174 cases. Grant levels are identical to the SSP portion for individuals.

Caseload. The SSI/SSP caseload has generally experienced slow and steady growth over the last decade. However, since 2014-15, caseloads have shown a steady decline. For the 2019-20 Governor's

budget, DSS projects that the caseload for 2018-19 will decrease by 1.1 percent and the caseload for 2019-20 will decrease by another 1.2 percent. The department suggests possible reasons for the slight decline in SSI/SSP caseload include increased financial stability, healthier behavior and lifestyles, improvements in medical technology, less income eligible individuals, and asset limits. SSI asset limits of $2,000 for individuals and $3,000 for couples prevent many from qualifying for SSI. These asset thresholds have not been updated since 1989 and would be about twice as high today had they been indexed to inflation.

Maintenance-of-Effort. The federal government has established a maintenance-of-effort (MOE) for the amount of SSP paid by California. The current SSP grant for individuals and couples is the state's March 1983 payment level. Violating this MOE would risk all of the state's Medicaid funding.

Grant Levels. The table below displays the maximum monthly SSI/SSP grant for individuals and couples proposed in the Governor's budget, as compared to grant levels for 2018–19.

Figure 15

SSI/SSP Monthly Maximum Grant Levels[a] Governor's Proposal

	2018-19	2019-20 Governor's Estimates[b]	Change From 2018-19
Maximum Grant—Individuals			
SSI	$771.00	$790.00	$19.00
SSP	160.72	160.72	—
Totals	**$931.72**	**$950.72**	**$19.00**
Percent of Federal Poverty Level[c]	90%	91%	
Maximum Grant—Couples			
SSI	$1,157.00	$1,186.00	$29.00
SSP	407.14	407.14	—
Totals	**$1,564.14**	**$1,593.14**	**$29.00**
Percent of Federal Poverty Level[c]	111%	113%	

[a] The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households, effective as of January 1 of the respective budget year.
[b] Reflects Governor's budget estimate of the January 2020 federal cost-of-living adjustment for the SSI portion of the grant.
[c] Compares grant level to federal poverty guidelines from the U.S. Department of Health and Human Services for 2019.

Source: Legislative Analyst's Office

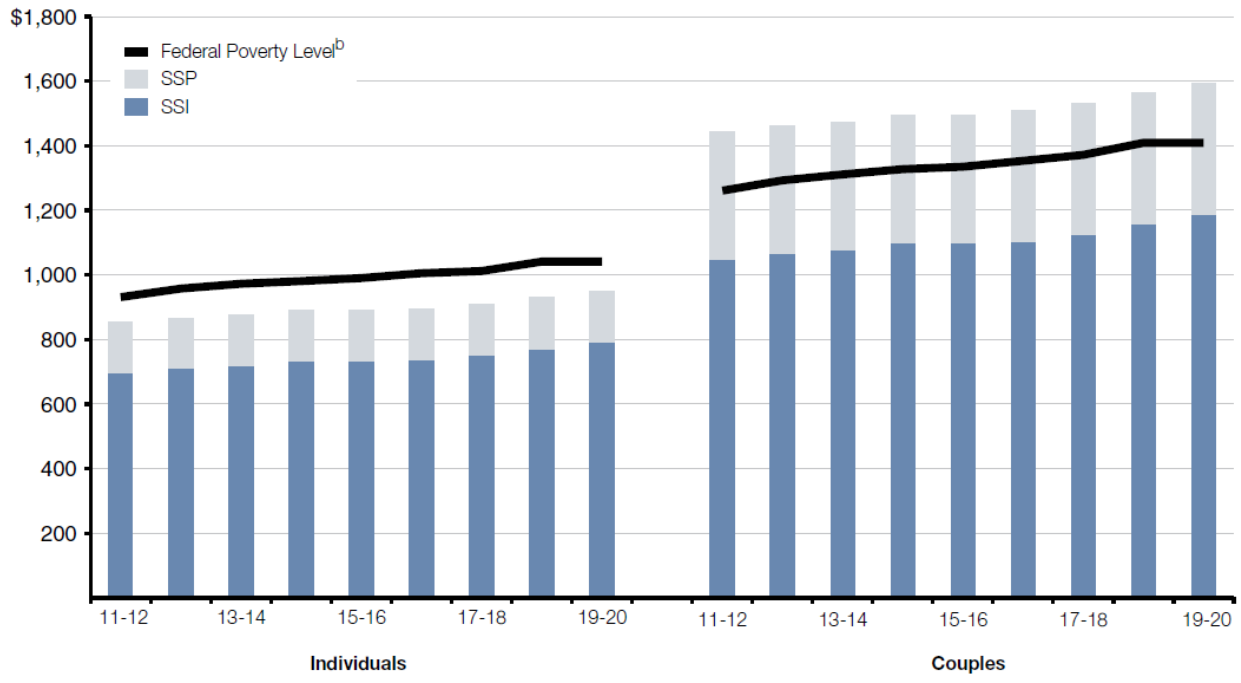
Under current law, the federal SSI grant payments for SSI/SSP recipients are adjusted for inflation each January through cost-of-living adjustments (COLAs). The Governor's budget estimates that the federal government will adjust the SSI portion by 2.5 percent in 2020. This equates to an increase in the maximum monthly SSI/SSP grant by $19 for individuals and $29 for couples. However, the actual increase will not be known until the fall.

The state COLA for the SSP grant was suspended periodically throughout the 1990s and into the 2000s. The SSP COLA was permanently repealed in 2011 through statute. In 2016-17, the Administration proposed and the Legislature approved a one-time SSP COLA of 2.76 percent, which provided an additional $4.63 for individuals and $11.73 for couples per month. The 2019-20 Governor's budget does not include an increase to the SSP grant, however the 2018 Budget Act included trailer bill language that codified COLAs to SSP grants beginning in 2022-23, subject to funding in the annual Budget Act.

The maximum grants for individuals and couples have gradually increased since 2011-12. Even with these increases, current maximum SSI/SSP grants for individuals are below the federal poverty level (FPL), and grants for couples are just above the FPL. As of January 2019, the federal poverty level for individuals is $1,041 per month and $1,409 per month for couples. The graphic below compares maximum grant amounts for couples and individuals compared to the federal poverty level.

Figure 14

Maximum SSI/SSP Grants for Individuals and Couples[a] Compared to Federal Poverty Level[b]



[a] The maximum monthly grants displayed refer to those for aged and disabled individuals and couples living in their own households, effective as of January 1 of the respective budget year.

[b] Federal poverty guidelines as established by U.S. Department of Health and Human Services, effective as of January 1 of the respective budget year.

SSI/SSP = Supplemental Security Income/State Supplementary Payment.

LAO

Source: Legislative Analyst's Office.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide a brief overview of the SSI/SSP program, caseload levels, and budget.

2. Please summarize the changes to SSI/SSP grant levels in recent years.

Issue 4: SSI/SSP and CalFresh Expansion – BCP and Update

Governor's Proposal. The Administration requests a total of $1.4 million ($711,000 General Fund and $710,000 federal funds) to expand CalFresh to SSI/SSP recipients (also known as reversal of the SSI Cash-out policy), along with the Supplemental and Transitional Nutrition Benefit programs. The request includes two-year limited-term funding for eleven positions.

The revised 2018-19 budget estimates a total of $35.2 million for implementation, and the 2019-20 proposed budget estimates a total of $105.2 million for 2019-20 implementation.

Background. The "SSI Cash-out" is a state policy that provides SSI/SSP recipients with an extra $10 payment in lieu of their being eligible to receive federal food benefits through the CalFresh program. AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018, ended this policy. This expansion of benefits is effective beginning June 1, 2019. It is estimated that the policy change will increase the CalFresh caseload by approximately 370,000 new households, or 20 percent.

The Supplemental Nutrition Benefit (SNB) and Transitional Nutrition Benefit (TNB) programs were established to offset the loss of food benefits among impacted CalFresh households when CalFresh is expanded. Current CalFresh households with a previously excluded SSI/SSP recipient member may experience a change in benefits, depending on the household's specific circumstances, upon adding that previously excluded household member. To be eligible for either the SNB or TNB, households must be participating in CalFresh on June 1, 2019, and have included a previously excluded SSI/SSP recipient in the household at that time. Once a household becomes ineligible for either program, eligibility cannot be regained.

SNB Program. For households that see a decrease in benefits a monthly supplemental benefit will be provided through the SNB program. Households determined eligible for the program will continue to be eligible until all previously excluded SSI/SSP recipient members are no longer in the household or the household is no longer participating in CalFresh. The department estimates that approximately 73,000 households will experience a decrease in CalFresh benefits and become eligible for the SNB. However, not all of those households will come into the program at the same time. Enrollment in the program will be phased in based on when the households mid-period report, recertification, or voluntary request occurs. In June 2019, the department estimates 11,655 households' will be eligible for the SNB. In 2019-20, 58,631 households are anticipated to be determined eligible for the SNB. For most of these households, the benefit amount will be higher than the potential loss. The SNB program will provide an average state-funded monthly benefit of approximately $110 per month.

TNB Program. For households that become ineligible for CalFresh a transitional benefit will be provided through the TNB. Households determined eligible for the program will continue to be eligible until all previously excluded SSI/SSP recipient members are no longer in the household or the household regains CalFresh eligibility. The department estimates that approximately 7,000 households will become ineligible for CalFresh and become eligible for the TNB. As with the SNB program, not all

of those households will come into the program at the same time. Enrollment in the program will be phased in based on when the household's mid-period report, recertification, or voluntary request occurs. In June 2019, the department estimates 1,130 households will be eligible for the TNB. In 2019-20, 5,687 households are anticipated to be determined eligible for the TNB. The TNB program will provide an average state-funded monthly benefit of approximately $174 per month.

Funding. The Budget Act of 2018 provided a total of $220 million General Fund (one-time) for implementation. The revised 2018-19 budget includes $35 million General Fund for implementation, as this reflects the estimated costs necessary for each fiscal year of implementation instead of the entire $220 million originally appropriated in 2018-19. The 2019-20 proposed budget estimates $105.2 million for implementation. A further breakdown of the estimated costs for 2018-19 and 2019-20 is reflected below. Note that the 2018-19 costs only reflect June 2019, the first month of implementation.

FY 2018-19 Estimated Total Costs: $35.2 million General Fund
- $22.5 million for administration related to newly eligible CalFresh households
- $200,000 for SNB/TNB administration
- $12 million for automation
- $400,000 for SNB/TNB benefits
- $100,000 for CAPI parity

FY 2019-20 Estimated Total Costs: $105.2 million General Fund
- $15.4 million for administration related to newly eligible CalFresh households
- $1.3 million for SNB/TNB administration
- $86.7 million for SNB/TNB benefits
- $1.8 million for CAPI parity

Requested Positions. The Administration requests limited-term funding for eleven positions. The table below provides a list of the positions and the sections the positions will be assigned to.

Position(s)	Section	Issue to Address
One Staff Services Manager I (SSM) and two Associate Governmental Program Analysts (AGPA)	Management Evaluation Section, Operations Bureau, CalFresh Branch	To address the increase in county management evaluations triggered by the caseload increase.
One AGPA	Quality Control Section, Operations Bureau, CalFresh Branch	To conduct additional quality control reviews in order to meet federal review requirements.
Two AGPAs	Policy Bureau, CalFresh Branch	To provide additional policy guidance and interpretation related to elderly and disabled CalFresh recipients.
One AGPA	Automation, Integrity, and Client Initiatives Branch	To support automation needs resulting from the policy change and the SNB and TNB.
One AGPA	Civil Rights Unit, Housing, Homelessness and Civil Rights Branch	To respond to an increase in discrimination complaints arising from increase in CalFresh recipients.
One Research Analyst	Fiscal Forecasting and Policy Branch, Administrative Division	To provide analysis of caseload increase, benefit issuance, and use of county administration dollars.
Two Accounting Officers	Accounting and Fiscal Systems Branch, Administrative Division	To address implementation using an EBT card methodology that will require additional record keeping, bank account reconciliation, ledger account updates, and increased reporting.

Panel. The subcommittee has requested the following panelists, in addition to the Department of Social Services, to provide comment on implementation:

- Andrew Cheyne, Director of Government Affairs, California Association of Food Banks (CAFB)
- Frank Mecca, Executive Director, California Welfare Director's Association (CWDA)
- Trinh Phan, Staff Attorney, Justice in Aging

CWDA requests an additional one-time augmentation of $15.4 million ($5.3 million General Fund) to address county administrative costs of implementing the CalFresh expansion.

A coalition of advocates request budget trailer bill language to address issues and concerns relating to the SNB and TNB programs, including language to make the programs entitlements.

Staff Comment and Recommendation. Hold open.

Questions.

For DSS:

1. Please provide an overview of the budget change proposal.

2. Please provide an update on the implementation of the CalFresh expansion.

3. Describe the outreach efforts the department is undertaking around the SNB and TNB. Is the department working with other agencies on outreach efforts?

For Frank Mecca, California Welfare Director's Association (CWDA):

4. Please provide an update on the implementation from the perspective of the counties.

For Trinh Phan (Justice in Aging) and Andrew Cheyne (CAFB):

5. Please provide your perspective on the implementation process.

Issue 5: Housing and Disability Advocacy Program (HDAP)

Governor's Proposal. The Administration requests an additional $25 million General Fund ongoing for the program.

Background. Applying to SSI is a complicated and challenging process, particularly for applicants that are homeless or have severe mental disabilities. HDAP offers assistance in applying for disability benefit programs and offers housing supports to individuals who are disabled and experiencing homelessness. The program is administered by individual counties. Counties provide a variety of services such as outreach, case management, advocacy, and housing support to all recipients. Counties must ensure that those with the highest needs are given priority, such as those experiencing chronic homelessness and those that most heavily rely on state- and county-funded services.

Funding. In 2016-17, the Senate "No Place Like Home" package of homelessness initiatives included a one-time investment to incentivize local governments to boost outreach efforts and advocacy to get more eligible poor people enrolled in the SSI/SSP program. $45 million General Fund was approved for this purpose, and the Housing and Disability Advocacy Program (HDAP) was established. $513,000 of the $45 million was reserved for staffing the program and to make it operational as soon as possible. The implementation of HDAP was delayed, however, as the 2017-18 Governor's budget proposed to halt implementation. HDAP was eventually included in the final budget for 2017-18, and funds are now available through June 30, 2020. HDAP has a dollar-for-dollar county match requirement, bringing the total budget for the program to $90 million.

Below is a list of the 39 counties that received HDAP funding and the total amount allocated to each county.

County	Funding Allocated	County	Funding Allocated	County	Funding Allocated
Alameda	$1.96 million	Modoc	$75,000	San Mateo	$538,684
Butte	$433,038	Mono	$75,000	Santa Clara	$2.4 million
Colusa	$75,000	Monterey	$568,670	Santa Cruz	$741,277
Contra Costa	$746,546	Napa	$186,488	Shasta	$300,000
Fresno	$755,864	Nevada	$151,062	Sonoma	$1.1 million
Glenn	$75,000	Orange	$2.1 million	Stanislaus	$440,662
Humboldt	$296,003	Placer	$197,002	Tulare	$291,046
Inyo	$75,000	Riverside	$1.4 million	Tuolumne	$75,000
Kern	$600,000	Sacramento	$1.3 million	Ventura	$190,483
Lassen	$75,000	San Benito	$142,052	Yolo	$190,483
Los Angeles	$17.6 million	San Bernardino	$1 million	Yuba	$111,188
Marin	$385,924	San Diego	$3.1 million		
Mendocino	$215,771	San Francisco	$2.5 million		
Merced	$261,788	San Luis Obispo	$414,294		

Implementation Update. In July of 2017, DSS released a request for proposals to county welfare departments. Proposals were due in the fall of 2017, and a total of 41 counties applied. The department allocated funds in two rounds. Round one allocations (November 2017-January 2018) were based on need. Funds remaining after round one were allocated on a competitive basis in April 2018. $41 million was allocated to 39 counties during round one, and an additional $3 million was available for allocation in round two.

Between January 2018 and November 2018:

- 2,161 total referrals have been received.
- 1,153 participants have been approved for or engaged in services.
- 385 disability benefit applications have been submitted.
- 110 applications for disability benefits have been approved.
- 215 participants have been permanently housed.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an update on HDAP implementation.
2. How will the success of the program be measured?
3. Please provide detail on how the requested $25 million will be used.

Issue 6: Proposals for Investment

1. SSI Grant Increase and Restoration of COLA for SSP

Budget Issue. Californians for SSI requests that SSI grants be augmented to bring them to 100 percent of the federal poverty level, resulting in total costs of close to $1 billion. In addition, the proposal requests the re-establishment of the statutory COLA for the SSP grant portion, effective January 1, 2020. Restoration of the SSP COLA would result in roughly $50 million total costs in 2019-20 and approximately full year costs of $100 million.

Staff Comment and Recommendation. SSI/SSP grant amounts will be a maximum of $950 beginning January 1, 2020, but the 2020 federal poverty level for a single individual is estimated to be $1,056 a month. Hold open.

5180 DEPARTMENT OF SOCIAL SERVICES – IN-HOME SUPPORTIVE SERVICES (IHSS)

Issue 7: Overview

The In-Home Supportive Services (IHSS) program provides personal care services to approximately 560,000 qualified low-income individuals who are blind, aged (over 65), or who have disabilities. Services include feeding, bathing, bowel and bladder care, meal preparation and clean-up, laundry, and paramedical care. These services help program recipients avoid or delay more expensive and less desirable institutional care settings.

Budget Issue. The budget proposes $12.7 billion ($4.3 billion General Fund) for services and administration. The 2018-19 budget provided $11.5 billion ($3.7 billion) for the program. Overall, the increased costs for IHSS in 2019-20 are due to a higher projected caseload, an increase in paid hours per case, and the increase in the hourly minimum wage from $12.00 to $13.00, effective January 1, 2020. The average monthly cost of services per IHSS client is estimated to be approximately $1,647 for 2019-20. This estimate averages 564,330 consumers will be authorized for an average of 110.1 hours per month.

Service delivery. County social workers determine IHSS eligibility and perform case management after conducting a standardized in-home assessment of an individual's ability to perform activities of daily living. In general, most social workers annually reassess recipients' need for services. Based on authorized hours and services, IHSS recipients are responsible for hiring, firing, and directing their IHSS provider(s). If an IHSS recipient disagrees with the hours authorized by a social worker, the recipient can request a reassessment, or appeal their hour allotment by submitting a request for a state hearing to DSS.

As of December 31, 2018, 15 percent of IHSS consumers are 85 years of age or older, 40 percent are ages 65-84, 38 percent are ages 18-64, and seven percent are 17 years of age or younger. There are approximately 500,000 IHSS providers.

Program Funding. The program is funded with federal, state, and county resources. Federal funding is provided by Title XIX of the Social Security Act. About 98 percent of the IHSS caseload receives federal funding. Depending on the circumstances, the federal government provides a 50 percent or 56 percent match. Historically, the state and counties split the non-federal share of IHSS program costs at 65 and 35 percent, respectively. When the state transferred various programs from the state to county control during 1991 Realignment, it altered program cost-sharing ratios and provided counties with dedicated tax revenues from the sales tax and vehicle license fee to pay for these changes

With the enactment of the Coordinated Care Initiative (CCI), the funding structure changed as of July 1, 2012, with county IHSS costs based on a maintenance-of-effort (MOE) requirement, meaning county costs would reflect a set amount of IHSS costs as opposed to a certain percent of costs. When the CCI

ended in 2017-18, a new MOE was established, which will increase annually by the county share of costs from locally negotiated wage increases and an annual adjustment factor. The 2019-20 budget proposes changes to the MOE, which will be discussed further in the next item.

Other Policy Changes. Several recently enacted policies impact the IHSS program – both fiscally and programmatically, including:

- **Restoration of the seven percent reduction in service hours.** A legal settlement in *Oster v. Lightbourne* and *Dominguez v. Schwarzenegger*, resulted in an eight percent reduction to authorized IHSS hours, effective July 1, 2013. Beginning in July 1, 2014, the reduction in authorized service hours was changed to seven percent. The 2015 Budget Act approved one-time General Fund resources, and related budget bill language, to offset the seven-percent across-the-board reduction in service hours. Starting in 2016, the seven percent restoration was funded for the duration of the Managed Care Organization (MCO) tax. Under current law, the MCO tax will expire on July 1, 2019. The proposed 2019-20 budget does not include a renewal of the MCO tax, however, it does propose to restore the seven percent reduction effective July 1, 2019. The budget includes $342.3 million General Fund for this purpose. Note that the Administration is not proposing to eliminate the current statutory language that ties the seven percent restoration to the existence of the MCO tax, however the Administration has expressed its intent that the restoration be ongoing.

- **Minimum wage increases and paid sick leave.** Assembly Bill 10 (Alejo), Chapter 351, Statutes of 2013, increased the minimum wage from $8 per hour to $9 per hour in July 2014, with gradual increases until the minimum wage reached $10 per hour by January 2016. SB 3 (Leno), Chapter 4, Statutes of 2016, moved the state's $10 per month minimum wage to $10.50 at the beginning of 2017, and scheduled annual increases to $15 for most employers by 2022. As of January 1, 2019, the minimum wage is set at $12.00. The budget includes $552.7 million ($252.7 million General Fund) to reflect the impact of the increasing state minimum wage. An additional $340.9 million ($155.8 million General Fund) is included in the budget to reflect the impact of the minimum wage increasing to $13.00 on January 1, 2020.

  SB 3 also provided eight hours of paid sick leave to IHSS providers who work over 100 hours beginning July 1, 2018. When the state minimum wage reaches $13, IHSS providers will accrue 16 hours, and when the state minimum wage reaches $15 they will receive 24 hours. $29.3 million General Fund is included in 2019-20 for this purpose, assuming all providers use eight hours. Another crucial component of implementing sick leave is the provider back-up system for recipients. 2018-19 budget trailer bill language directed DSS, in consultation with the Department of Finance and stakeholders, to reconvene the paid sick leave workgroup for IHSS no later than February 1, 2019, to discuss the issue.

- **Fair Labor Standards Act (FLSA)—Final Rule.** FLSA is the primary federal statute dealing with minimum wage, overtime pay, child labor, and related issues. In September 2013, the U.S.

Department of Labor issued a final rule, effective January 1, 2015, which redefined "companionship services" and limits exemptions for "companionship services" and "live-in domestic service employees" to the individual, family, or household using the services (not a third party employer). The rule also requires compensation for activities, such as travel time between multiple recipients, wait time associated with medical accompaniment, and time spent in mandatory provider training. Under the final rule, employers must pay at least the federal minimum wage and overtime pay at one and a half times the regular pay if a provider works more than 40 hours per workweek. The final rule began implementation in California on February 1, 2016.

SB 855 (Committee on Budget and Fiscal Review) Chapters 29, Statutes of 2014, established a limit of 66 hours per week for IHSS providers based on the statutory maximum of 283 hours a month for IHSS recipients and limited travel time for providers to seven hours a week. DSS or counties may terminate a provider in the event of persistent violations of overtime or travel limitations. $264 million General Fund is included in the current year, and $292.4 million General Fund is included in the budget year, for these purposes.

- **Electronic Timesheets.** In an effort to streamline timesheet processing, and in response to requests from IHSS stakeholders, DSS implemented online IHSS timesheets in three pilot counties (Sacramento, Yolo, and Riverside) in June 2017. A four-wave rollout to all counties began in August 2017 and was completed in November 2017. The online timesheet system uses technology that is easy to use on PCs, smartphones and tablets and provides real-time data validation, which means timesheet errors can be corrected before the timesheet is submitted. Providers and recipients are able to submit electronic signatures, eliminating the need to place timesheets in the mail. If providers and recipients adopt this optional technology, it is expected to reduce timesheet errors and significantly reduce the time it takes to pay providers by eliminating mail time. So far, reception of the electronic timesheets has been positive and the department is seeing participation grow. As of December 2018, 177,758 (35 percent) providers and 157,309 (27 percent) recipients are enrolled to use electronic timesheets. The department is also working on plans to increase the use of direct deposit as well as other electronic funds transfer options.

- **Electronic Visit Verification.** H.R. 2646 was signed in December of 2016, and contains provisions related to Electronic Visit Verification, or "EVV." These provisions would require states to implement EVV systems for Medicaid-funded personal care and home health care services, such as IHSS. The bill stipulates that the electronic system must verify (1) the service performed, (2) the date and time of service, (3) the location of the service, and (4) the identities of the provider and consumer. California has until January 2020 to comply for personal care services, and until January 2023 for home care services, or escalating penalties will be incurred.

  In October 2018, the department submitted a request for $8 million ($800,000 General Fund and $7.2 million federal reimbursements) to the Department of Finance (DOF) in order to comply with the federal mandate to implement EVV. The department will use the funds to modify its

existing Case Management, Information, and Payrolling System (CMIPS). The department will leverage and enhance its existing Electronic Services Portal and Telephonic Timesheet System to meet EVV requirements. The requested funds will be used to develop a workable prototype of both of these enhanced systems. As of December 2018, the department has held four statewide stakeholder meetings that included representatives of recipients, providers, advocacy groups, labor unions, counties, the Legislature, and the Administration. The department plans to begin stakeholder demonstrations of the enhanced EVV web portal in the spring of 2019.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview for the IHSS program, including caseload and funding levels.

2. Please provide an update on the reconvening of the paid sick leave workgroup and its discussion of a provider back-up system.

3. Please provide an update on the status of EVV, stakeholder engagement, and the development of prototypes for the enhanced systems.

4. Please summarize current implementation and usage of electronic timesheets. How is the department encouraging providers and recipients to enroll?

5. Please identify how many individuals have been sanctioned for time card errors to date under FLSA and any steps the department is taking to reduce the sanction rate.

Issue 8: IHSS Maintenance-of-Effort (MOE) TBL

Governor's Proposal. The Administration proposes changes to the IHSS county MOE in the 2019-20 budget. Specifically, the following changes are suggested:

- Adjust the county MOE to $1.56 billion, reducing it from $1.9 billion.

- Apply annual inflation factor of four percent to the MOE beginning in 2020-21. Once the state minimum wage reaches $15 per hour, future county negotiated IHSS wage and health/non-health benefit increases will be shared 35 percent state and 65 percent county, with no state participation cap.

- Eliminate the General Fund mitigation and end redirection of health and mental health Vehicle License Fee (VLF) revenue. Counties currently receive assistance from the General Fund and VLF revenue that would otherwise go to health and mental health programs, to cover counties' IHSS costs. The budget proposes to eliminate the General Fund Assistance and the redirection of VLF revenue in 2019-20.

- Apply the MOE to fund only IHSS services. A General Fund appropriation will support administration costs for the program and any expenditures over the appropriation amount will be paid by counties.

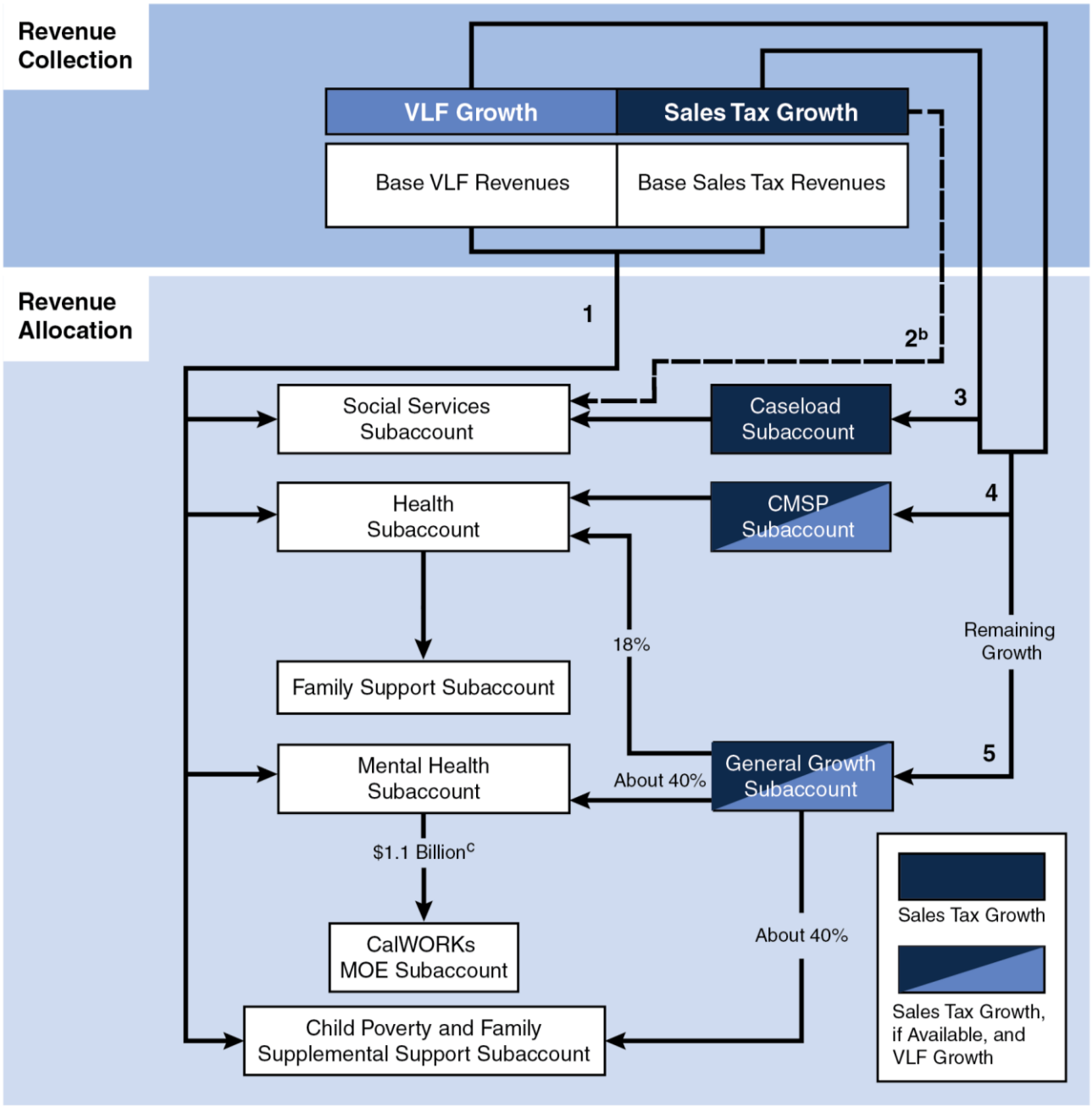
The proposed changes would increase General Fund costs for IHSS by $241.7 million in 2019-20, $369.4 million in 2020-21, $454.4 million in 2021-22, and $537.3 million in 2022-23. The Department of Finance also estimates that there would be a Realignment revenue shortfall of about $9.5 million in 2021-22, and almost $25 million in 2022-23.

1991 Realignment. In 1991, the Legislature shifted significant fiscal and programmatic responsibility for many health and human services programs from the state to counties—referred to as 1991 realignment. The 1991 realignment package: (1) transferred several programs and responsibilities from the state to counties, (2) changed the way state and county costs are shared for certain social services programs, (3) transferred health and mental health service responsibilities and costs to the counties, and (4) increased the sales tax and VLF and dedicated these increased revenues to the new financial obligations of counties for realigned programs and responsibilities. Today, counties receive about $6.5 billion (over $3 billion from sales tax, $2 billion from VLF, and about $1 billion transferred from another realignment for mental health) through 1991 realignment.

The figure on the next page provides an overview of how funds flow in 1991 realignment.

How Funds Flow in 1991 Realignment[a]

Local Revenue Fund



[a] Figure generally shows how funds flowed before 2017-18 and how funds will flow after 2022-23.

[b] This allocation of the sales tax growth did not occur until 2017-18, but will continue after 2022-23.

[c] Funds transferred to the CalWORKs MOE Subaccount are backfilled by 2011 realignment funds.

VLF = vehicle license fee; CMSP = County Medical Services Program; and MOE = maintenance of effort.

LAO

IHSS County Costs. Historically, counties paid 35 percent of the nonfederal—state and county—share of IHSS service costs and 30 percent of the nonfederal share of IHSS administrative costs. Beginning in 2012-13, however, the historical county share of cost model was replaced with an IHSS county

maintenance-of-effort (MOE), meaning county costs would reflect a set amount of nonfederal IHSS costs as opposed to a certain percent of nonfederal IHSS costs. In 2017-18, the initial IHSS MOE was eliminated and replaced with a new county MOE financing structure—referred to as the 2017 IHSS MOE. Under this MOE, counties are responsible for paying based on 2017-18 actual expenditures, which is adjusted for locally negotiated, mediated, imposed, or adopted by ordinance increases to wages and/or benefits and an annual inflation factor. The county MOE will increase by an inflation factor – five percent for 2018-19, and seven percent for the following fiscal years.

The 2018-19 IHSS county MOE is $1.87 billion, which includes the inflation factor amount of $88.2 million and the 2018-19 pending MOE adjustments for wage/health benefits/non-health benefit increases of $15.8 million. The MOE provides fiscal relief to counties for IHSS program costs through a combination of General Fund offsets and temporary redirection of 1991 Realignment growth funds from county indigent health and mental health services. For 2018-19, the county mitigation is $318.7 million.

The table below provided by the Legislative Analyst's Office (LAO) breaks out IHSS administration and service costs under the current MOE and the adjusted MOE proposed in the Governor's Budget.

	IHSS County MOE Costs *(In Thousands)*			
	2017-18	**2017-18**	**2018-19**	**2019-20**
	Actual (based on 2017 May)	**Final FY 2017-18** (based on 2018 May)	**Revised Estimate** (based on 2019-20 GB)	**Estimate** (based on 2019-20 GB)
Total IHSS County MOE Costs	**$1,769,443**	**$1,761,202**	**$1,868,731**	**$1,559,201**
Share of IHSS Service Costs	$1,672,127	$1,663,659	$1,766,31	N/A
Share of IHSS Administrative Costs	$97,316	$97,543	$102,420	N/A

Senate Bill 90 – 1991 Realignment Report. The Budget Act of 2017 included a requirement for the Department of Finance (DOF) to submit a report to the Legislature that would review the funding structure of the 1991 realignment. More specifically, the Budget Act required the report to include the following:

1) The extent to which revenues available for 1991 realignment are sufficient to meet program costs that were realigned.

2) Whether the IHSS program and administrative costs are growing by a rate that is higher, lower, or approximately the same as the MOE, including the inflation factor.

3) The fiscal and programmatic impacts of the IHSS MOE on the funding available for the Health Subaccount, the Mental Health Subaccount, the County Medical Services Program Subaccount, and other social services programs included in 1991 Realignment.

4) The status of collective bargaining for the IHSS program in each county.

DOF Report Findings. The DOF released the report with the Governor's 2019-20 budget. The report includes background on 1991 Realignment and the IHSS program, responses to the specific questions posed above, and findings and recommendations. The report acknowledged that the revenue sources for 1991 Realignment are not sufficient to cover increased program costs due to several changes in the structure of 1991 Realignment including collective bargaining, minimum wage increases, and federal overtime rules. IHSS has been one of the fastest growing programs within the state budget with mostly double-digit growth rates each year, with the exception of years where reductions were made in order to balance the budget. The 2017 MOE included an inflation factor of seven percent annually, which is below the average annual growth rate of eleven percent.

In the years that CCI was in effect and the annual county MOE growth was 3.5 percent, both the Mental Health and Health Subaccounts received growth funding. With the elimination of CCI and the subsequent 2017-18 budget agreement, the Health, CMSP and Mental Health Subaccounts would, after the period of redirection, only receive VLF growth. All available sales tax growth would now go to fund the increased caseload costs for the social services programs. There have been very few times since 2005-06 when both mental health and health received growth funding.

As of November 2018, twenty-seven counties were engaged in collective bargaining. Fourteen counties had expired MOUs with no negotiations reported. Fourteen other counties have MOUs that have not yet expired. Only one county reported being at impasse.

The report proposed a number of recommendations that are reflected in the proposed changes to the IHSS MOE in the Governor's budget. These changes would make it so county general purposes funds would not be needed to cover IHSS costs, and the Mental Health and Health Subaccounts can receive growth based on the historical formula.

LAO Comments. The graphic below provides a brief summary of the Governor's proposed changes to the IHSS MOE, as well as an assessment of each change by the LAO.

Summary of LAO's Assessment on Governor's Proposals

Governor's Proposal	Primary Principle Addressed	LAO's Assessment
IHSS-Related Changes		
Rebase IHSS County MOE	Counties' share of costs reflect their ability to control costs in the program.	Reduced share of cost in IHSS for counties is a move in the right direction. However, IHSS MOE is based on available revenue, rather than counties ability to control costs in the program.
	Revenues generally cover costs over time.	Realignment revenues would generally cover county costs, at least in near term, but would place significant and growing cost pressures on General Fund.
Lower the Annual Adjustment Factor for IHSS MOE	Revenues generally cover costs over time.	Lower adjustment factor generally aligned with recent growth in annual realignment revenues, thereby improving the chances of revenues covering total county IHSS costs over time. However, the adjustment factor is far less than average annual growth in IHSS costs, resulting in growing cost pressures on General Fund.
Eliminate General Fund Assistance and Redirected VLF Growth Funds	Funding is transparent and understandable.	Reasonable to eliminate General Fund assistance to counties given financial relief provided by rebased MOE and lower annual adjustment factor. Redirection frees up revenue for health, mental health, and CalWORKs. While complexity remains, these changes unwind some of the complexity introduced by the 2017 IHSS MOE.
Increase County Share of Cost for Locally Established IHSS Wage and Benefit Increases	Counties' share of costs reflect their ability to control costs in the program.	Increase to counties' share of nonfederal costs for county negotiated wage and benefit increases seems to right-size counties fiscal responsibility over a cost counties can control.

In their publication, "Assessing the Governor's 1991 Realignment Proposals," the LAO notes that 1991 realignment revenues do not cover county costs, and finds that the Governor's proposals provides a reasonable approach for bringing 1991 realignment into financial balance. However, it is also noted that a trade-off of the reduction in counties' costs is increased state costs. The LAO recommends that the Legislature begin to plan for the impact of the state's growing elderly population on the state budget. In addition, the LAO notes that it is unclear whether realignment revenues will be sufficient to cover counties' costs long-term.

Panel. The subcommittee has requested the following panelists, in addition to DSS and the LAO, to provide comment on the proposed changes to the IHSS MOE:

- Graham Knaus, Executive Director, California State Association of Counties

Staff Comment and Recommendation. Hold open. The higher state share of cost for IHSS is appropriate, however the state is limited in its ability to control increasing cost pressures associated with IHSS. The Legislature should plan for the impact these increasing costs will have on the state budget and consider monitoring realignment revenues through the annual budget process.

Questions.

For LAO:

1. Please provide a walkthrough of the graphic on page 35 that shows how funds flow in 1991 realignment.

For DOF:

2. Please provide a brief summary of the recent DOF report, "Senate Bill 90 – 1991 Realignment Report," and how the 2019-20 Governor's budget, particularly as it relates to IHSS, reflects the report's recommendations.

For Graham Knaus, CSAC:

3. Please provide comment on the proposed changes to the IHSS MOE, and any concerns you may have.

Issue 9: BCP – IHSS State Administrative Review and Data Analysis

Governor's Proposal. The Administration requests $235,000 for the permanent extension of two three-year limited-term positions to support ongoing workload for the State Administrative Review (SAR) process and data analysis.

Background. The Fair Labor Standards Act (FLSA) is the primary federal statute dealing with minimum wage, overtime pay, child labor, and related issues (discussed in issue 7). The statute also requires compensation for activities, such as travel time between multiple recipients, wait time associated with medical accompaniment, and time spent in mandatory provider training. IHSS providers who have received FLSA violations can appeal through the SAR process, which was implemented as part of the FLSA. Upon FLSA implementation, the department redirected one position to the Appeals and Administrative Review Unit (AARU) to process SAR requests. This proposal requests a permanent extension of funding for this position to continue processing of SAR requests.

The Research and Data Analysis Unit (RADU) within the department is responsible for creating custom data queries to produce IHSS program data reports. Examples include daily and monthly data extraction and reporting on FLSA violations, overtime hours and payment, wait time, and travel time. The department redirected one position to the unit in order to meet the complex and increasing workload demand in the unit and to replace a limited-term position that had previously expired. The funding associated with the redirected position is set to expire on June 30, 2019. This request for a permanent extension of the funding will help meet the workload demands of the RADU.

Staff Comment and Recommendation. Hold open.

Questions.

1. Please provide an overview of the proposal.

Issue 10: Proposals for Investment

1. Codify EVV Protections

Budget Issue. The California Association of Public Authorities (CAPA) for IHSS, UDW/AFSCME Local 3930, and SEIU California requests the Legislature codify protections that were made in the 2018 Budget Act to protect IHSS providers and consumers. Those protections were in effect for one year, and included the prohibition of GPS tracking technology among other protections.

Staff Comment and Recommendation. Hold open.

2. Actuarial Study for LTSS Financing and Service Options

Budget Issue. The California Aging and Disability Alliance (CADA) request a one-time $1 million General Fund augmentation for a feasibility study and actuarial analysis of long-term services and supports financing and services options. CADA notes that by 2030, more than one million older adults in California will require some assistance with self-care. Despite this, LTSS are not adequately covered by Medicare and most Californians cannot afford to purchase private long-term care insurance. The requested study will identify the costs and benefits to the state of establishing LTSS financing options.

Staff Comment and Recommendation. Hold open.

3. Permanent Restoration of 7 Percent Cut in IHSS Service Hours

Budget Issue. CAPA, UDW/AFSCME Local 3930, and SEIU California requests the Legislature include trailer bill language to rescind Welfare and Institutions Code Sections 12301.01 through 12301.05 to permanently restore the 7 percent across-the-board IHSS service hours. The Governor's budget proposes to restore the 7 percent service hours, but this restoration could be rescinded in future years. Making this restoration permanent would equate to a $342 million ongoing allocation.

Staff Comment and Recommendation. Hold open. Note that the Administration is not proposing to eliminate the current statutory language that ties the 7 percent restoration to the existence of the MCO tax, however the Administration has expressed its intent that the restoration be ongoing.

4. Public Authority Administrative Funding

Budget Issue. The California Association of Public Authorities (CAPA) for IHSS requests an additional $5 million to cover administration costs for IHSS Public Authorities.

Staff Comment and Recommendation. Hold open. CAPA is working with the department to resolve this issue.

5. Link IHSS County MOE to Collective Bargaining

Budget Issue. UDW/AFSCME Local 3930 and SEIU California request that the state reduce a county's IHSS MOE annual inflation factor to 4 percent only when a collective bargaining agreement is in place in which the negotiated wage for IHSS providers is at least above the state minimum wage. The proponents note that only seven of the 21 counties represented by UDW have collective bargaining agreements in place, and 14 of the 37 counties SEIU represents have a collective bargaining agreement.

Staff Comment and Recommendation. Hold open. Counties without a collective bargaining agreement in place would have an annual inflation factor that is consistent with current law - five percent or seven percent, depending on the circumstances.